

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 STR-07
TRSE-00 OMB-01 OPIC-03 PA-01 ICA-11 SIL-01 LAB-04
SS-15 NSC-05 /084 W
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R 121726Z JUL 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 4702
INFO AMEMBASSY LONDON
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AMEMBASSY MADRID
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TAGS: EAIR, FR, GW, IT, SP, NL
SUBJECT: AIRBUS B-10 MOVES FORWARD

REF: PARIS 18379

SUMMARY: AIRBUS INDUSTRIES HAS ANNOUNCED PLANS FOR B-10. HOWEVER, APPROVAL BY GOVERNMENTS IS STILL REQUIRED AND QUESTION OF UK PARTICIPATION REMAINS OPEN. MARKET OUTLOOK WILL BE AN IMPORTANT FACTOR IN TIMING OF FRENCH APPROVAL AND MUCH MAY DEPEND ON UNITED AIRLINES DECISION TO ACCEPT THIS AIRCRAFT. END SUMMARY.

1. AIRBUS INDUSTRIES- IN ASSOCIATION WITH ITS FRENCH, GERMAN, DUTCH AND SPANISH MANUFACTURING COMPONENTS -- ANNOUNCED ON JULY 7 A DECISION TO PROCEED WITH THE "ACCELERATION OF THE A-300-10 DEVELOPMENT WORK IN PROCESS WITH THE TARGET (SUBJECT TO GOVERNMENTS APPROVAL)
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TO CERTIFY BEFORE END 1982 AND DELIVER THE AIRCRAFT FOR AIRLINE SERVICE IN EARLY 1983". AS PART OF THE SAME UNDERTAKING THE FOUR COMPANIES HAVE ALSO AGREED ON SHARING WORK ON THE NEW AIRCRAFT GENERALLY REFERRED TO AS THE B-10, WHICH IS ESSENTIALLY A SMALL (200 SEAT) WIDE BODIED JET IN TWO VERSIONS (SHORT RANGE AND MEDIUM RANGE. THIS ACTION FOLLOWS ANNOUNCEMENTS BY LUFTHANSA,

AIR FRANCE, SWISSAIR, AND IBERIA OF THEIR INTENTIONS TO PURCHASE THE B-10 AND TAKES INTO ACCOUNT EASTERN AIRLINES' OPTIONS ON THIS AIRCRAFT.

2. THE "SUBJECT TO GOVERNMENT'S APPROVAL" FEATURE OF THE AIRBUS ANNOUNCEMENT IS EXTREMELY IMPORTANT. ALTHOUGH THERE IS A WIDESPREAD EXPECTATION THAT THE FRENCH AND GERMAN GOVERNMENTS WILL EVENTUALLY GIVE THE FINANCIAL GO-AHEAD (WITH THE SPANISH AND DUTCH FOLLOWING FOR THEIR SMALL PORTIONS INVOLVING THOSE COUNTRIES) THERE IS NO CERTAINTY AS TO WHEN THIS WILL TAKE PLACE. (\$250-400 MILLION APPEARS INVOLVED). AN AIRBUS OFFICIAL HAS SPECULATED TO THE CIVIL AVIATION ATTACHE THAT THIS MIGHT HAPPEN IN THE NEXT SEVERAL WEEKS, BUT NO HARD INFORMATION IS AVAILABLE. COMPLICATING THE GOVERNMENT'S DECISION WILL BE THE QUESTION AS TO WHETHER THE UK WILL BECOME A PARTNER IN THE VENTURE.

3. AIRBUS OPERATING PREMISE IN THE WORK ALLOCATION SCHEME IS THAT THE UK WILL NOT BE INVOLVED, ALTHOUGH THE ROLLS ROYCE RB 211-524 ENGINE WILL BE AN OPTIONAL ELEMENT - ALONG WITH COMPETING PRATT-WHITNEY AND GE-SNECMA PRODUCTS. IT WILL BE RECALLED THAT THE WINGS OF THE B-2 AND B-4 WERE DESIGNED AND PARTLY MANUFACTURED BY BRITISH AEROSPACE FOR FINAL ASSEMBLY IN GERMANY. THE NEW PLANS CALL FOR FRANCO-GERMAN WING LIMITED OFFICIAL USE

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DESIGN AND SUBMANUFACTURING WITH CONSTRUCTION OF THE WINGS IN GERMANY AND FINAL ASSEMBLY OF THE ENTIRE AIRCRAFT AT TOULOUSE. THESE PLANS COULD STILL BE CHANGED, AND ADDITIONAL WORK ALLOCATED TO BRITISH SUPPLIERS AS WELL, BUT UNLESS A PROMPT POLITICAL DECISION TO ASSOCIATE THE UK WITH THE TOTAL VENTURE IS TAKEN THE TIME TABLE FOR PRODUCING THE AIRCRAFT MAY HAVE TO SLIP. THAT TIMETABLE HAS BEEN DESIGNED PRIMARILY TO MEET THE COMPETITION FROM BOEING.

4. THE LAUNCHING ORDERS FOR THE B-10 TOTAL 20 AND 50 PLUS OPTIONS (LUFTHANSA 10 REASONABLY FIRM PLUS 15 OPTIONS, SWISSAIR 6 SOMEWHAT FIRM, AIR FRANCE 4 FIRM, IBERIA 12 OPTIONS AND EASTERN 25 OPTIONS). AIRBUS EXECUTIVES AND SOME GOF OFFICIALS CONSIDER THIS A MINIMUM NUMBER, BUT FEEL A DECISION TO GO AHEAD MUST BE TAKEN. THEY APPEAR CONFIDENT, HOWEVER, THAT UNITED AIRLINES WILL DECIDE TO PURCHASE THE B-10 (POSSIBLY UP TO 100 COPIES) AND THIS WILL PROVIDE THE MAJOR ORDER TO ASSURE THE GOVERNMENT'S DECISION. INDEED, IT MAY BE SPECULATED THAT THE JULY 7 ANNOUNCEMENT WAS AS MUCH INTENDED TO INFLUENCE THE UNITED DECISION AS ANYTHING

ELSE.

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5. FRENCH OFFICIALS ARE MORE SKEPTICAL ABOUT UNITED
THAN ARE AIRBUS EXECUTIVES. IN A RECENT CONVERSATION
WITH THE CIVIL AIR ATTACHE, CLAUDE ABRAHAM (DIRECTOR
GENERAL OF CIVIL AVIATION, WHO IS ULTIMATELY RESPON-
SIBLE FOR OVERSEEING THE GOF INTEREST IN AIRBUS IN-
DUSTRIES POINTED TO THE LONG STANDING SUPPLIER-
CUSTOMER RELATIONSHIP BETWEEN BOEING AND UNITED WHICH,
HE STATED, BOEING COULD NEVER "STAND" TO SEE BROKEN BY A
DEAL OF THIS MAGNITUDE. NO MATTER HOW GOOD THE AIRBUS
PRODUCT IS, HE WENT ON, BOEING WOULD MAKE SURE THAT BY
EITHER FINANCIAL OR POLITICAL ACTION UNITED WOULD NOT
BE LOST AS A CUSTOMER. WHEN ASKED TO AMPLIFY HIS REMARKS
ABOUT POLITICAL ACTION ABRAHAM WOULD ONLY VAGUELY REFER
TO A NETWORK OF INTERLOCKING INTERESTS BETWEEN MAJOR
AMERICAN CARRIERS, BOEING, THE U. S. CONGRESS AND THE
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U. S. MILITARY. HE CERTAINLY CONVEYED THE IMPLICATION
THAT HE WAS A STRONG BELIEVER IN THE EXISTENCE OF AMER-
ICAN AVIATION CONSPIRACIES AGAINST FRANCE IN THIS AREA
AS WELL AS ON MATTERS RELATING TO THE CONCORDE A FEW
YEARS EARLIER.

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